

# Exhibit 1

## Settlement Benefits to Class Members

## SETTLEMENT BENEFITS TO CLASS MEMBERS

1. **Introduction.** As described more fully below, this Exhibit sets out how Class Members will be compensated under the Class Action Settlement Program. Benefits pursuant to the Settlement Program are available only to Class Members who do not opt out of the Class. All defined terms in this document have the meanings ascribed to them in the Class Action Agreement.
2. **Class Member Options.**
  - a. Eligible Owners shall be offered the choice between (1) a Buyback and Owner Restitution, including loan forgiveness as set forth in ¶ 14 below; or (2) an Approved Emissions Modification and Owner Restitution.
  - b. Eligible Lessees who retain an active lease of an Eligible Vehicle shall be offered the choice between (1) a Lease Termination and Lessee Restitution; or (2) an Approved Emissions Modification and Lessee Restitution.
  - c. Eligible Lessees who return or have returned the Eligible Vehicle at the conclusion of the lease shall be offered Lessee Restitution.
  - d. Eligible Lessees who obtained ownership of their previously leased Eligible Vehicle after June 28, 2016 shall be offered an Approved Emissions Modification and Lessee Restitution.
  - e. Eligible Sellers shall be offered Seller Restitution.
  - f. Owners whose Eligible Vehicle was totaled and who consequently transferred title of their vehicle to an insurance company after the Opt-Out Deadline, but before the end of the Claim Period, shall be offered Owner Restitution but not a Buyback.
3. **Funding Pool.** The “Funding Pool” means the maximum \$10,033,000,000 funding pool from which Class Members will be compensated and is the same funding pool described in the FTC Consent Order and the DOJ Consent Decree. The Funding Pool amount of \$10,033,000,000 was calculated based on an assumed 100% Buyback of purchased Eligible Vehicles and 100% Lease Termination of leased Eligible Vehicles. The Funding Pool includes (1) \$42,670,723 designated for loan forgiveness for Eligible Owners who choose a Buyback and who owe more on their Eligible Vehicles than they would receive in the Buyback, as described in ¶ 14 below (the “Loan Forgiveness Designated Fund”); (2) \$26,000,000 designated to pay remaining future lease payments previously owed to VCI as the lessor of leased Eligible Vehicles held by lessees choosing Lease Termination (the “Future Lease Payments Designated Fund”); and (3) \$9,964,329,277 to pay Vehicle Value, Owner Restitution, Lessee Restitution, and Seller Restitution as described in ¶¶ 4, 7, and 9 below (the “Principal Fund”). For more information, see the definition of “Funding Pool” in the Class Action Agreement.

4. **Benefits for Eligible Owner.** Except as otherwise provided in the Class Action Agreement, Eligible Owners choosing a Buyback shall receive the sum of the Vehicle Value and Owner Restitution, and Eligible Owners choosing an Approved Emissions Modification shall receive an Approved Emissions Modification free of charge and Owner Restitution. An Eligible Owner whose Eligible Vehicle is Operable as of the Opt-Out Deadline but which ceases to be Operable before the vehicle can be surrendered in a Buyback or receive an Approved Emissions Modification, shall receive Owner Restitution only, and not the Vehicle Value. The Vehicle Value equals the vehicle's Base Value adjusted for OEM-installed options and mileage, as described in ¶¶ 11-12 below.

5. **Owner Restitution.**

- a. For an Eligible Owner who acquired the Eligible Vehicle on or before September 18, 2015, Owner Restitution shall be comprised of (1) a variable component equaling 20% of the Vehicle Value; and (2) a fixed component of the greater of (a) \$2,986.73 or (b) the amount necessary to ensure that Owner Restitution is no less than \$5,100. For example, for an Eligible Owner who acquired on or before September 18, 2015 an Eligible Vehicle with a Vehicle Value of \$9,500, Owner Restitution would be calculated as follows:

Variable Component	Fixed Component	Owner Restitution
\$1,900 ( <i>i.e.</i> , 20% of \$9,500)	\$2,986.73 + \$213.27 ( <i>i.e.</i> , the amount necessary to raise the Owner Restitution to the \$5,100 minimum) = \$3,200	\$1,900 + \$3,200 = \$5,100.00

- b. For an Eligible Owner who acquired the Eligible Vehicle after September 18, 2015, Owner Restitution is equal to 50% of Owner Restitution under ¶ 5(a), plus a share of any unused portion of the funds set aside to pay Seller Restitution in an amount determined by dividing the unused funds among all Eligible Owners who acquired their Eligible Vehicles after September 18, 2015 on a proportionate basis using the restitution amount for each Eligible Vehicle that was determined in arriving at the allocation of the Funding Pool. The unused portion of funds will be determined at the conclusion of the Eligible Seller Identification Period and prior to the start of the Class Action Settlement Program based on those Class Members who identify themselves during the Eligible Seller Identification Period as Eligible Sellers entitled to benefits under the Class Action Agreement.
- c. For a Class Member who owned an Eligible Vehicle that was totaled and who consequently transferred title of that vehicle to an insurance company after the Opt-Out Deadline, but before the end of the Claim Period, Owner Restitution is equal to the Owner Restitution for an Eligible Owner under ¶ 5(a).
6. **Calculation of the Fixed Component of Owner Restitution.** The amount of funds available to fund the fixed component of the Owner Restitution was determined by subtracting from the Principal Fund (1) the Lease Restitution amounts for all leased

Eligible Vehicles, and (2) the Vehicle Values and the variable component of Owner Restitution for all owned Eligible Vehicles, assuming that each such vehicle was acquired by the Eligible Owner before September 18, 2015. To calculate the amount of the fixed component for each Eligible Vehicle, the remaining funds were then divided equally among all owned Eligible Vehicles, except that vehicles that otherwise would be allocated less than \$5,100 for Owner Restitution were allocated an additional amount in the fixed component to ensure that they each would receive exactly \$5,100 in Owner Restitution. This additional amount was drawn from funds remaining to fund the fixed component of the Owner Restitution, such that the total remaining number of dollars available for distribution in this component was reduced. For the avoidance of doubt, this means of allocation is not intended to, and does not, increase the total amount of Owner Restitution that Volkswagen otherwise would pay if Owner Restitution for each Eligible Vehicle were not subject to a \$5,100 minimum.

7. **Benefits for Eligible Seller.** Eligible Sellers of Eligible Vehicles who timely file a Claim shall receive Seller Restitution equaling 50% of the restitution amount for that vehicle that was determined in arriving at the allocation of the Funding Pool. Payments to Eligible Sellers shall be made from funds set aside in the amount of 50% of the total restitution amount for all Eligible Vehicles for which there are Eligible Sellers.
8. **No Double Compensation.** Once an Eligible Vehicle has been remedied pursuant to an Approved Emissions Modification and Owner Restitution has been paid to the Eligible Owner (and Seller Restitution to the Eligible Seller, if applicable), Volkswagen shall not have any obligation to pay any additional Restitution Payment for that Eligible Vehicle.
9. **Benefits for Eligible Lessee.** The Lessee Restitution shall be comprised of two components: a variable component and a fixed component. The variable component is 10% of the Eligible Vehicle's Base Value adjusted for options but not mileage, as described in ¶¶ 11 and 12(a) below; and the fixed component is \$1,529. The fixed component is the same for every Eligible Lessee and is equal to half of the average fixed component of Owner Restitution for Eligible Owners who purchased their vehicles on or before September 18, 2015 (including the amount required to fund the \$5,100 minimum). There is no minimum Lessee Restitution for leased Eligible Vehicles. The table below shows, as an example, compensation for an Eligible Lessee with a Base Value adjusted for options of \$10,000 (not adjusted for mileage using the NADA mileage table):

Variable Component	Fixed Component	Lessee Restitution
\$1,000 ( <i>i.e.</i> , 10% of \$10,000)	\$1,529	$\$1,000 + \$1,529 = \$2,529$

10. **Lease Termination.** If an Eligible Lessee with an active lease chooses a Lease Termination, Volkswagen shall pay all amounts necessary to achieve a Lease Termination without penalty to the Eligible Lessee, including, without limitation, early termination fees owed to third parties, provided, however, the lessee shall remain obligated to pay fees for excess wear and use and excess mileage at the point of vehicle

surrender, and other amounts due, such as delinquent lease payments and related late payment fees or costs associated with tickets and tolls, as defined by the lease contract.

11. **Base Values for Eligible Vehicles.** The Base Value for each Eligible Vehicle is (1) where available, the Clean Trade value of the vehicle based on the NADA Vehicle Identification Code (VIC) for each Eligible Vehicle in the September 2015 NADA Used Car Guide published in or around August 2015; and (2) for Model Year (“MY”) 2015 Eligible Vehicles for which no value was published by NADA as of September 2015, derived by multiplying 0.717 by the MSRP for each individual vehicle, as indicated on the list of all owned and leased vehicles provided by Volkswagen, dropping any fractional amount, and then adjusting each Base Value for options. The 0.717 figure represents the ratio of average September 2015 Clean Trade values to average MSRPs for MY 2015 Passats. The table below displays examples of derived values for actual MY 2015 vehicles, which are identified by a unique Record ID provided by Volkswagen in lieu of a full VIN.

Record ID	VIN 8*10	Model	MSRP	Calculation	Derived Value
1441946	WAUCJGFF*F	2015 Audi A3	\$42,690	$42690 * 0.717 = 30608.73$	\$30,608
1112016	3VW2A7AU*F	2015 VW Golf	\$30,490	$30490 * 0.717 = 21861.33$	\$21,861

- a. **NADA Region.** The Base Value for each Eligible Vehicle, excepting MY 2015 vehicles with derived values, shall be determined using the NADA region that includes the state of the Eligible Vehicle’s last known vehicle registration as of September 2015 that was relied upon to arrive at the Funding Pool.
12. **Vehicle Value.** The Vehicle Value for a given Eligible Vehicle equals the vehicle’s Base Value adjusted for OEM-installed options and mileage, as described below.
- a. **NADA Options.** Options adjustments to Base Values are determined by using Volkswagen OEM-installed options, as valued by the September 2015 NADA Used Car Guide.
- b. **NADA Mileage Adjustments.** Mileage adjustments to Base Values shall be determined based on the actual mileage at the time the vehicles are surrendered in the Buyback or brought in for an Approved Emissions Modification using the mileage adjustment table in the September 2015 NADA Used Car Guide with an allowance for standard NADA mileage of 12,500 miles per year, prorated monthly from September 2015 to the month of surrender.
13. **Loan Obligations.** Loan Obligation refers to any debt incurred by an Eligible Owner and secured by an Eligible Vehicle, whether through VW Credit, Inc. or any other lender. If the Eligible Vehicle of an Eligible Owner choosing the Buyback is subject to an outstanding Loan Obligation in an amount less than or equal to the sum of the Vehicle Value and Owner Restitution, Volkswagen shall pay to the Eligible Owner’s lender the

portion of the Vehicle Value and the Owner Restitution required to pay off the Loan Obligation and shall pay to the Eligible Owner any remaining portion of the Vehicle Value and Owner Restitution.

- a. **Example:** An Eligible Owner of an Eligible Vehicle that she acquired on or before September 18, 2015 chooses the Buyback and surrenders her vehicle on November 1, 2016. The Vehicle Value is \$15,000 and the Owner Restitution is \$5,986.73 (*i.e.*, 20% of Vehicle Value as the variable component plus \$2,986.73 as the fixed component) for a total of \$20,986.73. The Eligible Owner has a Loan Obligation as of November 1, 2016 of \$13,000, so Volkswagen pays \$13,000 to the lender and the remaining \$7,986.73 directly to the Eligible Owner.

14. **Loan Forgiveness.** If the Eligible Vehicle of an Eligible Owner choosing the Buyback is subject to an outstanding Loan Obligation in an amount greater than the sum of the Vehicle Value and Owner Restitution, Volkswagen shall pay that Eligible Owner's lender the full amount required to pay off the outstanding Loan Obligation for the Eligible Vehicle, up to 130% of the sum of the Vehicle Value and Owner Restitution and no more. Loan Forgiveness refers to the amount of the payment that exceeds the sum of the Vehicle Value and Owner Restitution, and shall be paid out of the Loan Forgiveness Designated Fund. Loan Forgiveness shall not exceed 30% of the sum of the Vehicle Value and Owner Restitution. Loan Forgiveness shall not be available for any portion of the Loan Obligation that becomes delinquent after June 21, 2016 (and any related costs and fees), or for any portion of the Loan Obligation, including new loans, incurred after June 21, 2016. If the amount paid to the lender by Volkswagen under this provision is not sufficient to satisfy the outstanding Loan Obligation, the Eligible Owner must, at the time of the transfer of ownership and possession, pay any remaining balance of the Loan Obligation required to transfer all of the Eligible Owner's interest in, ownership of, title to, and possession of the Eligible Vehicle to Volkswagen to elect the Buyback. Below are several examples of how Loan Forgiveness might work. These examples assume that no portion of the Eligible Owner's Loan Obligation has become delinquent after June 21, 2016 and that the Eligible Owner has not entered into additional loans after that date.

- a. **Example 1:** An Eligible Owner of an Eligible Vehicle that he acquired on or before September 18, 2015 chooses the Buyback and surrenders his vehicle on November 1, 2016. The Vehicle Value is \$15,000 and the Owner Restitution is \$5,986.73 (*i.e.*, 20% of Vehicle Value as the variable component plus \$2,986.73 as the fixed component) for a total of \$20,986.73. The Eligible Owner qualifies for Loan Forgiveness for the amount of the Loan Obligation as of November 1, 2016 that exceeds \$20,986.73, but not any amount that exceeds 130% of \$20,986.73 (*i.e.*, \$27,282.749). The Eligible Owner has a Loan Obligation of \$24,000, so Volkswagen pays \$24,000 to the lender, including \$20,986.73 as Vehicle Value and Owner Restitution plus \$3,013.27 in Loan Forgiveness. Volkswagen pays nothing directly to the Eligible Owner.
- b. **Example 2:** Assume the same facts as Example 1, except that the Eligible Owner has a Loan Obligation of \$28,000. Volkswagen pays \$27,282.75 to the lender,

including \$20,986.73 as Vehicle Value and Owner Restitution plus an additional 30% of that amount, or \$6,296.02, as Loan Forgiveness. The owner must pay off the remaining balance of the Loan Obligation, \$717.25, at the time of the transfer of ownership and possession. Volkswagen pays nothing directly to the Eligible Owner.

- c. **Example 3:** Assume the same facts as Example 1, except that the Eligible Owner acquired the Eligible Vehicle after September 18, 2015 and has a Loan Obligation of \$20,000. The Eligible Owner's share of any unused portion of the Eligible Seller fund (see ¶ 7 above) is not calculable until the Eligible Seller Identification Period has expired. For the sake of example only, we will use \$750 as the Eligible Owner's share of the unused portion of the Eligible Seller fund. The Vehicle Value is \$15,000, so the payment to the lender includes \$15,000 plus \$3,743.37 as Owner Restitution (*i.e.*, 10% of Vehicle Value as the variable component plus \$1,493.365 as the fixed component plus \$750) for a total of \$18,743.37. The Eligible Owner qualifies for Loan Forgiveness for the amount of the loan balance as of November 1, 2016 that exceeds \$18,743.37, but not any amount that exceeds 130% of \$18,743.37 (*i.e.*, \$24,366.38). The Eligible Owner has a Loan Obligation of \$20,000, so Volkswagen pays \$20,000 to the lender, including \$18,743.37 as Vehicle Value and Owner Restitution plus \$1,256.63 in Loan Forgiveness. Volkswagen pays nothing directly to the Eligible Owner.

15. **Approved Emissions Modification.** Eligible Owners and Eligible Lessees will have the option of having the emissions system of their Eligible Vehicle modified if Volkswagen submits, and the responsible governmental authorities approve, an Approved Emissions Modification for their vehicle engine. The expected and final dates for Volkswagen to submit proposed Emissions Modifications for each vehicle engine generation are shown in the table below and are detailed more fully in Appendix B to the DOJ Consent Decree.

1 <sup>st</sup> Generation Engine Vehicles	Volkswagen's Expected Submittal Date	Volkswagen's Final Submittal Deadline
2009-2014 VW Jetta 2009-2014 VW Jetta SportWagen 2010-2013 VW Golf 2-Door 2010-2014 VW Golf 4-Door 2013-2014 VW Beetle 2013-2014 VW Beetle Convertible 2010-2013 Audi A3	November 11, 2016	January 27, 2017
2 <sup>nd</sup> Generation Engine Vehicles	Volkswagen's Expected Submittal Date	Volkswagen's Final Submittal Deadline
2012-2014 VW Passat	December 16, 2016	March 3, 2017
3 <sup>rd</sup> Generation Engine Vehicles	Volkswagen's Expected Submittal Date	Volkswagen's Final Submittal Deadline
2015 VW Jetta 2015 VW Golf 4-Door	<u>Initial Modification:</u> July 29, 2016	<u>Initial Modification:</u> October 14, 2016



2015 VW Golf SportWagen 2015 VW Beetle 2015 VW Beetle Convertible 2015 VW Passat 2015 Audi A3	<u>Subsequent Modification:</u> August 15, 2017	<u>Subsequent Modification:</u> October 30, 2017
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Class Members will receive VW Class Updates to keep them apprised of this process. If an Emissions Modification is approved for a Class Member's engine and the Class Member chooses to have their Eligible Vehicle modified, the Class Member also will receive the Restitution Payment and an Approved Emissions Modification Extended Warranty described in Section 4.3.5 of the Class Action Agreement. However, because the remedies available to Class Members include a contingent option, if there is no Approved Emissions Modification available for a Class Member's Eligible Vehicle by May 1, 2018, that Eligible Owner or Lessee shall have a second opportunity, from May 1, 2018, until June 1, 2018, to withdraw from the Class Action Agreement.

a. **Two-Step Approved Emissions Modifications for Generation 3 Vehicles.**

Assuming EPA and CARB grant the necessary approvals, Eligible Vehicles with Generation 3 engines will need to be modified in two steps. Accordingly, Eligible Owners and Eligible Lessees of Generation 3 Eligible Vehicles who elect an Approved Emissions Modification will be offered two-thirds (2/3) of their Restitution Payment upon submitting their vehicles for the first stage of the Approved Emissions Modification and the remaining one-third (1/3) of their Restitution Payment, as well as a free oil change with respective engine oil filter, to the Eligible Owner or Eligible Lessee, upon submitting their vehicles for the second stage of the Approved Emissions Modification. If ownership of the Eligible Vehicle changes after the first step but before the second step, then the second payment will be made to the owner of the car at the time it is submitted for the second stage of the Approved Emissions Modification. The amount of any mileage adjustment to the Restitution Payment will be based on the mileage reading on the Class Member's first visit.